



March 21, 2014

Marlene H. Dortch, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte* Communication in MB Docket Nos. 09-182, 04-256, 10-71

Dear Ms. Dortch:

On Wednesday, March 19, 2014, I met with Phil Verveer, Senior Counsel to Chairman Tom Wheeler to discuss broadcast ownership regulation and specifically the proposals before the FCC to attribute television joint sales agreements (JSAs) for over 15 percent of inventory.

Consistent with prior NAB filings, I explained that broadcasters are very concerned about this proposal and the recently announced processing guidelines that effectively deter any new sharing arrangements by making them subject to special scrutiny by the staff. I noted that broadcast investment has been harmed by these announcements and that the ultimate result would be loss of services to the public. I shared the attached report from Wells Fargo Securities on broadcast investing which clearly states that regulatory action is having a negative effect on perceptions for the future of broadcasting.

With regard to issues of competition, I shared a copy of NAB's response to the Department of Justice (DOJ) filing in this docket and summarized the key points.¹ Specifically, I stated that the competitive market in local advertising is very different than the one imagined by the DOJ. Broadcasters face competition from many sources including internet service and pay TV operations. I shared the attached announcement that DISH had joined with other pay TV services in an arrangement "to consolidate the advertising reach of all US [pay TV services]" in local advertising markets in order to "grow ad revenues together." Given this competition, one cannot simply assert that any JSA is anti-competitive, particularly a JSA among weaker stations in a small market that may in fact improve the competitive environment.

¹ See *Ex Parte* Submission of NAB, MB Docket Nos. 09-182, 07-294, 04-256 (Mar. 18, 2014).

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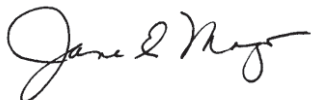
I also explained that JSAs and other sharing arrangements clearly can produce public interest benefits. As documented in prior NAB filings and described in a previously submitted chart (filed Feb. 18, 2014), JSAs and sharing arrangements allow local broadcasters to better serve their communities and promote the FCC's interest in localism and diversity. I further emphasized that the Commission has approved many sharing arrangements as part of its review of transactions. NAB's cursory review of FCC records since 2008 showed some 85 sharing agreements in 66 different markets. Moreover, focusing on JSAs alone in that same time frame, the Commission reviewed and approved some 71 JSAs in 53 markets.

I also addressed the issue of waivers. In particular I argued that planning to rely on waivers to allow clearly beneficial arrangements to continue, and perhaps new ones be formed, is not a viable solution. Waivers are inherently uncertain and likely to create obstacles to the investment needed to purchase or run a television station.

I asked Mr. Verveer to help me understand the Commission's concern about de facto control of stations in JSAs. I suggested that transparency of deals was one way to address that concern. I also contended that to the extent the Commission is concerned there are some licensees in joint arrangements that are not in control of their stations, specific indicia related to programming, personnel and financing can be developed. The Commission should clearly describe standards for joint arrangements and prohibit only those operations that do not meet those standards. I suggested that such standards are in fact discernible from the large database of transactions that have been reviewed at the Commission.

Finally, I reiterated NAB's view that the Commission should not move forward with changes to the TV attribution rules absent a holistic review of the local ownership rules.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jane Mago", with a stylized, cursive script.

Jane Mago
Executive Vice President & General Counsel
National Association of Broadcasters

cc: Phil Verveer

Attachments

March 17, 2014

Equity Research

WELLS
FARGO

SECURITIES

Broadcast: Downgrade GTN, LIN, NXST, SBGI To MP

Can't Fight City Hall!

Sector Rating: Television, Market Weight

Sector Rating: Television, Market Weight									
Ticker	Rating	Chg. Y/N	Price 03/14/14	2014E	FY EPS		Chg. Y/N	Valuation Range	
					Chg. Y/N	2015E		Curr	Prior
Television									
GTN	2V	Y	\$10.51	\$1.14	Y	\$0.90	Y	\$10-12	\$14-16
LIN	2V	Y	21.29	1.46	N	1.14	N	\$22-24	\$26-28
NXST	2V	Y	36.70	2.49	Y	1.82	Y	\$36-40	\$52-54
SBGI	2V	Y	26.56	1.87	Y	1.56	Y	\$25-27	\$34-36

Source: Company data and Wells Fargo Securities, LLC estimates 1 = Outperform, 2 = Market Perform, 3 = Underperform, V = Volatile
* = Company is on the Priority Stock List NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

- **We downgrade the broadcast TV stocks To Market Perform (MP) and sector to Market Weight.** While we continue to really like the broadcast TV business due to strong advertising fundamentals (both core and political), robust FCF, and the narrowing of the gap between retransmission consent and cable affiliate fees, we just came back from a day in DC (3/14) and can't help but feel incrementally negative on the regulatory environment- especially as it relates to pending and future M&A. At this point, we see downward risk to ests and cut both as-reported and PF 2014/2015 ests for GTN, NXST and SBGI (LIN has no pending station M&A at the moment) to ex-all "sharing" arrangements from upcoming deals. We also think it will be much harder for these stocks to achieve the multiple expansion we previously anticipated, leading to lower target multiples, lower ranges (ALL four including LIN) and our downgrades to Market Perform.
- **What we learned in Washington DC:** While nothing is final (at least until the FCC's 3/31 meeting), there seems to be tremendous focus on tightening the rules around JSAs, SSAs and retransmission consent. And given the recent Processing Guidelines (from 3/12), we heard that NO pending deals with any sort of "shared" arrangements will close until/unless they are restructured to exclude such stations and related loan guarantees. As a result, we went through our four covered companies and are reducing as-reported and PF 2014/2015 ests (for all but LIN) to exclude all "shared" stations (pro-rata for our estimated station "values" using BIA data). We also move closing dates to 6/30 where applicable. See pages 5-7 for detailed company estimate changes.
- **We apply our reduced target multiples to lower PF FCF figures.** Given what we perceive to be an indefinite "hold" on pending and future M&A, we find it hard to see multiple expansion. Perhaps this changes should FCF priorities begin to favor even more significant SH returns, but we aren't sure when this happens. At this point, we think it's best to value these stocks by applying current multiples (6-7x blended FCF) to our "new" PF FCF ests as calculated above. The good news is stocks currently reflect this new "value," the bad news is we see limited upside.
- **It's difficult but there could still be plenty of positives.** We still really like the business, but believe regulatory environment will remain an overhang. We could be positively surprised by the ultimate treatment of waivers; deals might get through post examination; STELA so far seems fair; Congress could step in; M&A could continue albeit at a slower pace; quadrennial review could loosen certain rules; and again we highlight the potential for significant capital returns.

Please see page 12 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 03/17/14 unless otherwise stated.

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Together we'll go far



We are downgrading the broadcast stocks and sector to Market Perform from Outperform.

While we continue to really like the broadcast TV business due to strong advertising fundamentals (both core and political), robust FCF generation, and the narrowing of the gap between retransmission consent revenue and cable affiliate fees, we just came back from a day in D.C. (3/14) and can't help but feel incrementally negative on the regulatory environment- especially as it relates to pending and future M&A.

At this point, we see downward risk to estimates and are cutting both as-reported and PF 2014/2015 estimate for GTN, NXST and SBGI (LIN has no pending station M&A at the moment) to exclude all "sharing" arrangements from upcoming deals.

We also think it will be much harder for these stocks to achieve the multiple expansion we previously anticipated, leading to lower target multiples, lower valuation ranges (for ALL four stocks, including LIN) and our overall downgrades to Market Perform.

What we learned in Washington D.C.:

We spent last Friday (3/14) with a number of regulators, who were very open with us about their views of the broadcast sector. And while it is clear that there are still a lot of moving pieces and nothing is final (we should get some answers at the Commission's March 31 meeting), our sense is that regulators are moving towards tightening the rules around JSAs, SSAs and retransmission consent.

One more message was abundantly clear -- given the recent Processing Guidelines, it appears that NO pending deals with any sort of "shared" arrangements will close until/unless they are restructured to exclude such stations and related loan guarantees (or attain waivers, which, at this point, would only be for "failed stations").

We provide an excerpt from our 3/14 meetings below. BUT IMPORTANTLY, we are NOT NECESSARILY in agreement with all that we heard (which is why we are frustrated). In fact, we believe that **nothing should change and all pending deals should go through according to historical precedence until there is a holistic review of the ownership rules**. We learned rather quickly however that what we believe does not have a lot of traction, which is unfortunate.

NOTES FROM 3/14 MEETINGS:

- The FCC is likely to vote FOR JSA attribution rules at its 3/31 Open Commission meeting – which effectively means that any non-licensee selling over 15% of the ad time will be treated as the "owner" of the station. This is not an ownership cap issue, but is likely to trip the eight voices test and/or duopoly rule.
- While pending deals are unlikely to be approved unless shared arrangements are removed, there is bipartisan support of a waiver process. Of course, the actual process is where it gets quite hairy -- as some Commissioners believe that a waiver should only be granted in a "failed station" situation (something that is extremely tough to prove, apparently). Other Commissioners believe the situation shouldn't be as dire (one person asked, "do you wait until your child is starving before you feed him/her?") - and instead, would prefer to see proof of diversity and localism.
- In general, all agreed that no matter what the actual waiver approval process ends up entailing, there needs to be transparency, consistency and speed. (The general consensus seemed to be that most thought that "it isn't fair to put these companies and stations in limbo for an extended period of time").
- The FCC still believes in the broadcast business – but a) it doesn't like the current "loopholes" and b) it doesn't feel the need to "subsidize" a sector that is in decline as a result of "changing market forces" (over-the-top was mentioned in most of the meetings).
- The FCC intends to open a 2014 Quadrennial Review of the Ownership Rules – that is NOT likely to be based on Genachowski's draft from December 2012. We did not get the sense that the ownership cap or cross ownership bans will be lifted.
- There seems to be a "survival of the fittest" attitude. Specifically, it was mentioned several times that there is no need for all 1,800-plus television stations, and therefore it was our sense that the FCC is more than willing to let various stations go dark (this is where reclamation of spectrum for the incentive auction comes in) –

but it was mentioned that those stations and group that do survive should be in a position of significant strength.

- JSAs in and of themselves are not going away – they will be approved on a case-by-case basis and non-licensees must sell no more than 15% of the ad time.
- There is likely to be further rulemakings on other sharing agreements – not just JSAs – again, the FCC is likely to look at these arrangements on a case-by-case basis.
- There was a lot of concern with the Media Bureau's Processing Guidelines – especially among the republicans who deemed this as a “new policy” that should have gone to a Commission vote. We were also told that unfortunately there is very little that can be done given that these are “just “guidelines.”
- The broadcasters have the right to be paid for their content/signal via retransmission consent but the FCC seems concerned about how the growth trajectory might ultimately impact consumers– hence, the review of joint retransmission consent negotiations as well as the network non-duplication and syndication exclusivity rules (which indirectly provide MVPDs with more negotiating leverage – see the 3/31 agenda below).
- It appears that Commissioner Wheeler is not concerned with getting all 5 votes (unlike Genachowski, who apparently wanted “everyone to get along”) and is content with having his proposals passed along party lines (i.e. via a 3-2 vote – which to us appears likely).
- The FCC is very much in support of local news – but some believe that the traditional business model is not the only or best way to produce this content (“if the television station model goes away, SOMEONE will come in and take its place).
- The FCC doesn't believe its policies are necessarily new (particularly the JSA attribution rule, which was opened in 2004) but rather believes that they must now be enforced in order to prevent further loopholes.
- It was clear to us that some broadcasters are considered to be “bad actors” by continuing to take advantage of the loopholes, which is likely what instigated a lot of the recent regulatory flurry. (Of course no one would name names).
- One last comment we heard when discussing the financial implications that could result from a station group “unwind” was quite telling: “Companies and industries are fully aware of the risk that they take when they build a business around a scarce, public and regulated resource.” A comment like this causes concern not just for the broadcast industry but rather for any industry/sector that is heavily regulated by the FCC.

EXERPTS FROM THE FCC's MARCH 31 OPEN COMMISSION MEETING AGENDA (we bold what we deem most important below):

ITEM #1: Amendment of the Commission's Rules Related to Retransmission Consent: The Commission will consider an Order making certain rule revisions and clarifications to facilitate the fair and effective completion of **retransmission consent negotiations**, and a Further Notice of Proposed Rulemaking seeking comment on whether **to eliminate the network non-duplication and syndicated exclusivity rules**.

[What are the network non-duplication and syndicated exclusivity rules? The current network non-duplication rule allows a television broadcast station that has purchased exclusive rights to network programming within a specified area to demand that a local cable system's duplicate carriage of the same program from an otherwise distant station be blacked out. The syndicated program exclusivity rule (the “syndex” rule) is similar to the network non-duplication rule, but it applies to exclusive contracts for syndicated programming, rather than for network programming.]

ITEM #2: Broadcast Ownership Rules Quadrennial Regulatory Review: The Commission will consider a Further Notice of Proposed Rulemaking that **initiates the 2014 Quadrennial Review of broadcast ownership rules**, addresses issues referred to the Commission by the Third Circuit's remand of the 2008 Diversity Order, and a **Notice of Proposed Rulemaking to define and require the disclosure of a category of sharing agreements between broadcast television stations**. The accompanying Report and Order determines that certain television **joint sales agreements are attributable**.

SUMMARY OF THE PROCESSING GUIDELINES AS ISSUED 3/12:

Going forward, the FCC intends to closely scrutinize any application that proposes that two (or more) stations in the same market will:

- (1) Enter into an arrangement to share facilities, employees, and/or services or to jointly acquire programming or sell advertising, including a Joint Sales Agreement (JSA), a Local Marketing Agreement (LMA), or any other agreement or arrangement (written or oral) that would have the same practical operational or financial effect as any of these agreements; AND
- (2) Enter into an option, right of first refusal, put/call arrangement, or other similar contingent interest, or a loan guarantee.

(IMPORTANTLY – almost all sharing arrangements tend to come with loan guarantees – so (1) and (2) tend to go hand-in-hand).

Each applicant bears the burden of showing that approval of its proposed transaction will be consistent with the public interest, convenience, and necessity. Therefore, in the situations described above, each applicant must provide sufficient information and documentation to fully describe its proposed transaction, including any side agreements, and establish that it is an arm's-length transaction and would not impair the existing licensee's control over station operations and programming, result in attribution of the relationship, or be otherwise contrary to the public interest.

We reduce our company-specific estimates to exclude “shared” station arrangements in pending M&A.

It is clear to us that M&A has been a significant catalyst for the broadcast sector (broadcast television stocks were up +376% vs. the S&P +30% in 2013) due to both rising EBITDA and free cash flow estimates in addition to multiple expansion, which tends to result from significantly accretive consolidation.

At this point, however, it seems to us that the regulatory hurdles have become MUCH higher for both pending and future M&A. Now, we are not suggesting that all pending deals won't go through – and there could end up being some leeway via the waiver process (although, quite honestly, we didn't get a “warm and fuzzy” feeling about this during our trip). BUT, we think the most logical path will be for those station groups currently wrapped up in the approval process to restructure their deals so as to exclude those stations with any sort of sharing arrangement and related loan guarantees (which tend to go hand-in-hand).

One question we are likely to get asked is what happens to the stations that “cannot” get bought in these pending deals? From what we have heard, the buyers and sellers will likely go back and restructure their initial purchase agreements – which, according to some experts we have talked to, could lead to deals that are slightly less accretive (although we'll take a slightly less accretive deal versus no deal any day).

And another question is likely to be what happens should the current buyers NOT restructure their deals but instead seek waivers? Our sense here is that the waiver process is going to be quite difficult (we would be thrilled to hear this is NOT the case come 3/31, but we certainly didn't get that feeling on 3/14) and likely to cause significant delays in pending transactions.

At this point, we felt it necessary to go through our four broadcast television companies under coverage and adjust our estimates to EXCLUDE all “shared” stations as well as move anticipated closings back by at least on quarter, where applicable (we now do not anticipate any closing prior to 7/1).

We did this by reducing the “incremental” revenue, EBITDA and free cash flow that we had assigned to each deal by the proportionate value of each “shared” station. An important point to underscore here is that not all stations are created equal. For example, in the Allbritton portfolio, the ABC affiliate in the Washington D.C. DMA (#8) is likely to ascribe significantly more value than the ABC affiliate in the Birmingham DMA (#42). Thus, we used BIA data (blended 2011/2012) to determine the pro-rated “values” for each station in each pending deal.

We also made the appropriate below-the-line adjustments given what would likely result in reduced purchase prices, related debt, D&A, and capex.

Below we provide a summary of our estimate cuts (again, LIN has no pending station deals so we did not make adjustments at this time). Please see Appendix 1 on pages 9-11 for details of each pending transaction for GTN, NXST and SBGI.

GTN Estimate Changes

(Figures in millions, except per share amounts)

	Our New 2014E	Our Old 2014E	Change (\$)	Change (%)
Revenue	\$476	\$512	(\$36)	(7%)
EBITDA (excl. FAS 123R)	\$198	\$216	(\$18)	(8%)
FCF/Share	\$1.82	\$2.01	(\$0.19)	(9%)
EPS	\$1.14	\$1.23	(\$0.10)	(8%)

We removed 3 stations in 3 markets from Hoak and 1 station in 1 market from Prime Cities that we believe would fall under "sharing" as defined by the FCC's Processing Guidelines (issued 3/12). We also moved the closing from 4/1/14 to 7/1/14.

	Our New 2014PF	Our Old 2014PF	Change (\$)	Change (%)
Revenue	\$502	\$525	(\$23)	(4%)
EBITDA (excl. FAS 123R)	\$208	\$222	(\$14)	(6%)
FCF/Share	\$1.85	\$2.00	(\$0.16)	(8%)
EPS	\$1.16	\$1.24	(\$0.08)	(7%)

We removed 3 stations in 3 markets from Hoak and 1 station in 1 market from Prime Cities that we believe would fall under "sharing" as defined by the FCC's Processing Guidelines (issued 3/12).

	Our 2015E	Our Old 2015E	Change (\$)	Change (%)
Revenue	\$487	\$511	(\$24)	(5%)
EBITDA (excl. FAS 123R)	\$175	\$185	(\$10)	(6%)
FCF/Share	\$1.39	\$1.48	(\$0.09)	(6%)
EPS	\$0.90	\$0.98	(\$0.07)	(8%)

Source: Company data, Wells Fargo Securities, LLC estimates

NXST Estimate Changes

(Figures in millions, except per share amounts)

	Our New 2014E	Our Old 2014E	Change (\$)	Change (%)
Revenue	\$654	\$687	\$33	(5%)
EBITDA (incl. FAS 123R)	\$256	\$271	\$15	(6%)
FCF/Share	\$5.65	\$6.05	\$0.39	(7%)
EPS	\$2.49	\$2.59	\$0.10	(4%)

Note: Growth rates are actuals

We removed 6 stations in 4 markets from CCA, 1 station in 1 market from Citadel/Stahl 1 station in 1 market from Grant, and 1 station in 1 market from Hbak that we believe would fall under "sharing" as defined by the FCC's Processing Guidelines 3/12). We already assumed all closings would occur 7/1 and therefore did not make changes.

	Our New 2014PFE	Our Old 2014PFE	Change	Change
Revenue	\$721	\$779	\$59	(8%)
EBITDA (incl. FAS 123R)	\$289	\$317	\$28	(9%)
FCF/Share	\$6.67	\$7.29	\$0.62	(9%)
EPS	\$2.93	\$3.27	\$0.34	(10%)

Note: Growth rates are actuals

We removed 6 stations in 4 markets from CCA, 1 station in 1 market from Citadel/Stahl 1 station in 1 market from Grant, and 1 station in 1 market from Hbak that we believe would fall under "sharing" as defined by the FCC's Processing Guidelines 3/12).

	Our New 2015E	Our Old 2015E	Change	Change
Revenue	\$737	\$785	\$48	(6%)
EBITDA (incl. FAS 123R)	\$248	\$266	\$18	(7%)
FCF/Share	\$5.35	\$5.77	\$0.42	(7%)
EPS	\$1.82	\$2.08	\$0.26	(13%)

Source: Company data and Wells Fargo Securities, LLC estimates

SBGI Estimate Changes

(Figures in millions, except per share amounts)

	Our New 2014E	Our Old 2014E	Change (\$)	Change (%)
Revenue	\$1,954	\$2,077	(\$122)	(6%)
EBITDA (excl. FAS 123R)	\$713	\$772	(\$59)	(8%)
FCF/Share	\$4.00	\$4.36	(\$0.36)	(8%)
EPS	\$1.87	\$2.16	(\$0.28)	(13%)

We removed 4 stations in 3 markets from Allbritton and 4 stations in 3 markets from NewAge that we believe would fall under "sharing" as defined by the FCC's Processing Guidelines (issued 3/12). We also moved the closing from 4/1/14 to 7/1/14 - both Allbritton a

	Our New 2014PF	Our Old 2014PF	Change (\$)	Change (%)
Revenue	\$2,060	\$2,148	(\$88)	(4%)
EBITDA (excl. FAS 123R)	\$758	\$803	(\$44)	(6%)
FCF/Share	\$4.19	\$4.37	(\$0.18)	(4%)
EPS	\$2.05	\$2.13	(\$0.08)	(4%)

We removed 4 stations in 3 markets from Allbritton and 4 stations in 3 markets from NewAge that we believe would fall under "sharing" as defined by the FCC's Processing Guidelines (issued 3/12). We also moved the closing from 4/1/14 to 7/1/14 - both Allbritton a

	Our 2015E	Our Old 2015E	Change (\$)	Change (%)
Revenue	\$2,027	\$2,118	(\$91)	(4%)
EBITDA (excl. FAS 123R)	\$679	\$732	(\$52)	(7%)
FCF/Share	\$3.61	\$3.94	(\$0.33)	(8%)
EPS	\$1.56	\$1.67	(\$0.11)	(7%)

Source: Company data and Wells Fargo Securities, LLC. Estimates

We applied our reduced target multiples to lower PF FCF figures.

Given what we perceive to be an indefinite “hold” on pending and future M&A, we find it hard for these broadcast stocks to achieve the multiple expansion we had previously anticipated. (Prior to recent regulatory concerns, we had thought these stocks could and should trade at 9-10x blended free cash flow).

Perhaps this changes should broadcast free cash flow priorities begin to favor even more significant shareholder (SH) returns (we would foresee greater dividends over share buybacks given the historically low float and market caps), but we aren't sure when this might happen.

At this point, we think it's best to value these stocks by applying current blended P/FCF multiples (which average 6-7x 2014/2015 blended pro forma free cash flow) to our “new” pro forma free cash flow estimates as calculated above.

As shown in the tables below, the good news is that these stocks seem to already reflect this “new” value, which would mean limited downside risk (unless there is the need for further estimate cuts).

The bad news is that upside potential seems to be limited (all due to the regulatory environment) – at least where we sit today.

One thing to highlight before getting into the company specifics is the fact that not all companies are under the same regulatory M&A scrutiny given a) some do NOT have deals pending with the FCC (i.e. LIN), and b) some are actually thought to be better “corporate citizens” (i.e. GTN, from what we have heard) vs. others, leading to a higher probability of current deals being approved as-is (but very much delayed).

Therefore, some might say we should see a divergence in stock price performance. Unfortunately, the regulatory uncertainty is not just related to current and pending M&A – but rather it is permeating throughout the sector with focus on ALL shared arrangements as well as retransmission consent.

Summary of Valuation Range Changes – DCF Driven

	3/14/2014 Price	Valuation Range		Rationale	
		New	Old	LT Growth	Discount Rate
GTN	\$10.52	\$10 - \$12	\$14 - \$16	2%	9%
NXST	\$36.70	\$36 - \$40	\$52 - \$54	2%	10%
SBGI	\$25.77	\$25 - \$27	\$34 - \$36	2%	10%
LIN	\$21.29	\$22 - \$24	\$26 - \$28	2%	9%

Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates

New Valuation Range Calculations – Multiple-Driven

Ex-Pending Stations with JSA/SSAs	SBGI	NXST	GTN	LIN (1)
WFSImplied '14PF/'15PF P-FCF Multiple	6.5x	6.5x	6.5x	6.5x
times: FCF/share ex. JSA Stations in Pending Deals	\$3.90	\$6.01	\$1.62	\$2.16
Implied Price	\$25.37	\$39.06	\$10.52	\$23.07
Price as of 3/14 close	\$26.56	\$36.70	\$10.51	\$21.29
Downside Potential	(4%)	6%	0%	8%
New Valuation Range:	\$25 - \$27	\$36 - \$40	\$10 - \$12	\$22 - \$24
Old Valuation Range:	\$34 - \$36	\$52 - \$54	\$14 - \$16	\$26 - \$28

Note: Note (1): We add \$9 to our implied price for LIN for its digital properties. We also highlight that we did NOT reduce estimates for LIN given no pending station M&A. Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates

Look, it's difficult but there could be some positives.

To be honest, this is a really tough call for us. We still really like the business, but believe the regulatory environment will remain an overhang. We have been asked post our meetings what the FCC's motivations could be, and while we don't necessarily agree with everything we heard, we were told that there are two distinct incentives here.

Broadcast:Downgrade GTN,LIN,NXST,SBGI To MP

One, the FCC wants to close all loopholes around current ownership rules.

Two, the FCC believes in repurposing spectrum to its “most efficient” use, which is apparently wireless over traditional broadcast.

We don’t mean to paint a dooms day scenario here – but, we are just finding it hard to see how these stocks could outperform the market given the regulatory environment.

That said, we could be positively surprised by a number of things over the next few months, such as:

- A leniency in the waiver process for pending deals;
- A loosening of the rules via the 2014 Quadrennial Ownership Review;
- Political pressure from Congress and/or the pending STELA bill could force the FCC to relax some of its current proposals – or at least delay final decisions until a holistic review of the Ownership Rules is complete;
- M&A might continue -- albeit at a slower, less accretive and more targeted pace; and
- The broadcast companies could surprise us with meaningful capital return policies.

APPENDIX 1: SUMMARY OF ALL PENDING DEALS FOR OUR COMPANIES UNDER COVERAGE

*****Please note that all stations highlighted in green are what we “took out” of our pro forma 2014/2015 estimates******

GTN PENDING M&A

Hoak Media / Parker Broadcasting		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	KHAS	Lincoln-Hastings-Kearney, NE	NBC	105
Announce Date	11/20/2013	KSFY	Sioux Falls, SD	ABC / CW	111
Transaction Value (\$MM)	\$297.5	KABY			
		KPRY			
Incremental EBITDA (2-Yr Avg)	\$50.0	KVLY	Fargo-Valley City, ND	NBC / Big Four	116
Seller's Multiple (2-Yr Avg)	N/D	KXJB			
Buyer's Multiple (2-Yr Avg)	6.80x	KNOE	Monroe, LA	Big Four / CW / ABC	137
		KAQY			
		KFYR	Minot-Bismarck –Dickinson, ND	NBC	145
		KMOT			
		KUMV			
		KQCD			
		KALB	Alexandria, LA	NBC / Big Four	179
		KNOP	North Platte, NE	NBC / FOX	208
		KIIT-LP			

Prime Cities Broadcasting		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	KNDX / KXND	Minot-Bismarck –Dickinson, ND	FOX	145
Announce Date	11/20/2013				
Transaction Value (\$MM)	\$7.5				
Incremental EBITDA (2-Yr Avg)	\$1.1				
Seller's Multiple (2-Yr Avg)	N/D				
Buyer's Multiple (2-Yr Avg)	6.80x				

Lockwood Broadcasting		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	WQCW/WOCW	Charleston-Huntington, WV	CW	65
Announce Date	11/15/2013				
Transaction Value (\$MM)	\$5.5				
Incremental EBITDA (2-Yr Avg)	N/D				
Seller's Multiple (2-Yr Avg)	N/D				
Buyer's Multiple (2-Yr Avg)	N/D				

Mission TV		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	KEVN / KIVV	Rapid City, SD	FOX	173
Announce Date	12/18/2013				
Transaction Value (\$MM)	\$7.8				
Incremental EBITDA (2-Yr Avg)	\$1.6				
Seller's Multiple (2-Yr Avg)	N/D				
Buyer's Multiple (2-Yr Avg)	5.00x				

Source for all charts: Company data, Wells Fargo Securities, LLC estimates

NXST PENDING M&A

CCA & White Knight Stations		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	KMSS-TV	Shreveport, LA	FOX	82
Announce Date	4/24/2013	KSHV-TV	Shreveport, LA	My	82
Transaction Value (\$MM)	\$270.0	KVEO-TV	Harlingen-Weslaco-Brownsville-McAllen, TX	NBC	86
		KWKT-TV	Waco-Temple-Bryan, TX	FOX	88
Incremental Revenue (First year)	\$100.0	KYLE-TV	Waco-Temple-Bryan, TX	FOX	88
Incremental BCF (2-Yr Avg)	\$47.4	KTSM-TV	El Paso, TX	NBC	91
Seller's Multiple (2-Yr Avg)	7.90x	WVLA-TV	Baton Rouge, LA	NBC	94
Buyer's Multiple (2-Yr Avg)	5.70x	KZUP-CD	Baton Rouge, LA	RTV	94
		WGMB-TV	Baton Rouge, LA	FOX	94
		WBRL-CD	Baton Rouge, LA	CW	94
		WEVV-TV	Evansville, IN	Big Four	104
		KFXL-TV	Tyler-Longview, TX	FOX	105
		KFXK-TV	Tyler-Longview, TX	FOX	107
		KLPN-LD	Tyler-Longview, TX	My	107
		KETK-TV	Tyler-Longview, TX	NBC	107
		KADN-TV	Lafayette, LA	FOX	124
		KLAF-LD	Lafayette, LA	My	124
		KPEJ-TV	Odessa-Midland, TX	FOX	152
		WNTZ-TV	Alexandria, LA	FOX	179

Citadel and Stainless Stations		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	WOL-D2	Des Moines-Ames, IA	ABC	72
Announce Date	9/16/2013	WHBF-TV	Davenport, IA-Rock Island-Moline, IL	Big Four	99
Transaction Value (\$MM)	\$103.3	KCAU-TV	Sioux City, IA	ABC	147
		WICZ-TV	Binghamton, NY	FOX	157
Incremental Revenue (First year)	\$35.0	WBNP	Binghamton, NY	MY	157
Incremental 2014 BCF	\$17.2				
Seller's Multiple (2-Yr Avg)	N/D				
Buyer's Multiple (2-Yr Avg)	6.00x				

Grant Stations		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	WFXR-TV	Roanoke-Lynchburg, VA	FOX	68
Announce Date	11/6/2013	WWCW	Roanoke-Lynchburg, VA	CW	68
Transaction Value (\$MM)	\$87.5	WZDX	Huntsville-Decatur-Florence, AL	FOX	79
		KLJB-TV	Davenport, IA-Rock Island-Moline, IL	FOX	99
Incremental BCF (2-Yr Avg)	\$16.8	KGCW	Davenport, IA-Rock Island-Moline, IL	CW	99
Seller's Multiple (2-Yr Avg)	N/D	WLAX	La Crosse-Eau Claire, WI	FOX	128
Buyer's Multiple (2-Yr Avg)	5.20x	WEUX	La Crosse-Eau Claire, WI	FOX	128

Hoak Stations		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	KREG-TV	Glenwood Springs, CO	Big Four	17
Announce Date	12/19/2013	WMBB	Panama City, FL	ABC	159
Transaction Value (\$MM)	\$37.5	KFQX	Grand Junction-Montrose, CO	FOX	185
		KREX-TV (SAT)	Grand Junction-Montrose, CO	Big Four	185
Incremental BCF (2-Yr Avg)	\$6.4	KREY-TV (SAT)	Grand Junction-Montrose, CO	Big Four	185
Seller's Multiple (2-Yr Avg)	N/D	KGJT-LP	Grand Junction-Montrose, CO	My	185
Buyer's Multiple (2-Yr Avg)	5.90x				

Source: Company data and Wells Fargo Securities, LLC estimates

Media & Cable

SBGI PENDING M&A

Allbritton Stations		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	WJLA	Washington, D.C.	ABC	8
Announce Date	7/29/2013	WBMA	Birmingham/Tuscaloosa, AL	ABC	42
Transaction Value (\$MM)	\$985.0	WHTM	Harrisburg/Lancaster, PA	ABC	43
		KATV	Little Rock, AR	ABC	56
Incremental EBITDA (2-Yr Avg)	\$113.2	KTUL	Tulsa, OK	ABC	59
Seller's Multiple (2-Yr Avg)	10.74x	WSET	Roanoke/Lynchburg, VA	ABC	68
Buyer's Multiple (2-Yr Avg)	8.70x	WCIV	Charleston, SC	ABC	98

New Age Stations		Properties	Market	Affiliate	DMA Rank
Closing Date (Estimated)	7/1/2014	WOLF	Wilkes-Barre-Scranton, PA	FOX	54
Announce Date	9/25/2013	WQMY	Wilkes-Barre-Scranton, PA	MY	54
Transaction Value (\$MM)	\$90.0	WSWB	Wilkes-Barre-Scranton, PA	CW	54
		WTLH	Tallahassee, FL	FOX	106
		WTLF	Tallahassee, FL	CW	106
Incremental EBITDA (2-Yr Avg)	\$14.0	WGFL	Gainesville, FL	Big Four	163
Seller's Multiple (2-Yr Avg)	9.89x	WNBW	Gainesville, FL	NBC	163
Buyer's Multiple (2-Yr Avg)	6.43x	WMYG-LP	Gainesville, FL	MY	163

Source: Company data and Wells Fargo Securities, LLC estimates

Valuation Range Information:

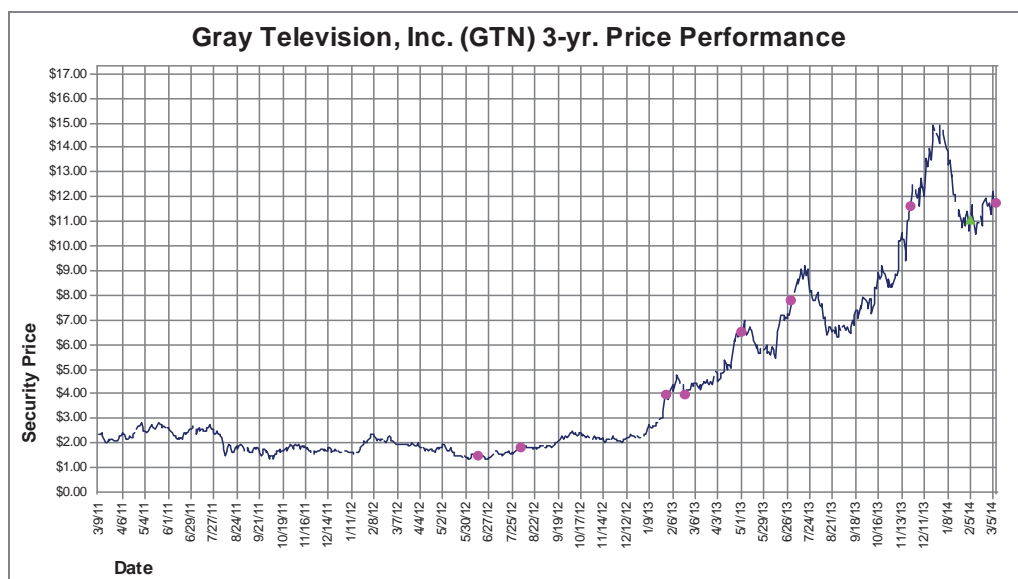
GTN Basis and Risks: Our valuation range is based on a 2% terminal revenue growth assumption and a 9% discount rate in our five-year DCF analysis. Risks include a softening economy, unfavorable regulatory environment, and higher than expected reverse comp.

LIN Basis and Risks: Our valuation range is based on a 2% terminal revenue growth estimate and a 9% discount rate in our 5-year DCF analysis. Risks include a softening economy, unfavorable regulatory environment, higher than expected reverse comp and a slower-than-expected ramp in digital cash flow.

NXST Basis and Risks: Our valuation range is based on a 2% terminal revenue growth estimate and a 10% discount rate in our 5-year DCF analysis. Risks include a softening economy, unfavorable regulatory environment, and higher than expected reverse comp.

SBGI Basis and Risks: Our valuation range is based on a 2% terminal growth estimate and a 10% discount rate in our five year DCF analysis. Risks include a softening economy, unfavorable regulatory environment, and higher than expected reverse comp.

Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	3/9/2011		Ryvicker			
	3/9/2011	NA	2	2.00	3.00	2.32
●	6/13/2012	1.44	2	1.50	2.50	1.47
●	8/6/2012	1.87	2	2.00	3.00	1.79
●	1/30/2013	3.99	2	3.00	4.00	3.94
●	2/21/2013	4.09	2	4.00	5.00	3.98
●	5/2/2013	6.52	2	6.00	7.00	6.53
●	7/2/2013	7.81	2	7.00	9.00	7.80
●	11/25/2013	12.44	2	12.00	14.00	11.61
▲ ●	2/5/2014	10.61	1	13.00	15.00	11.09
●	3/7/2014	11.61	1	14.00	16.00	11.76

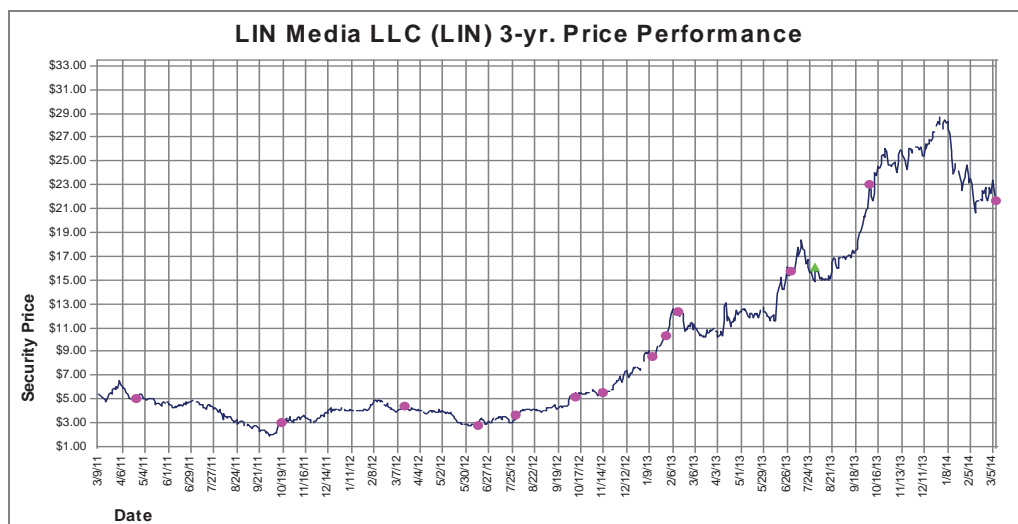
Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	3/9/2011		Ryvicker			
	3/9/2011	NA	2	5.00	5.50	5.46
●	4/25/2011	5.09	2	5.00	6.00	5.09
●	10/18/2011	2.83	2	3.00	4.00	3.05
●	3/15/2012	4.24	2	4.00	5.00	4.36
●	6/13/2012	2.75	2	2.50	3.50	2.74
●	7/31/2012	3.60	2	3.00	4.00	3.59
●	10/10/2012	5.11	2	5.00	5.50	5.11
●	11/13/2012	5.82	2	5.00	7.00	5.51
●	1/11/2013	8.82	2	8.50	9.50	8.61
●	1/30/2013	10.53	2	9.00	11.00	10.36
●	2/13/2013	12.33	2	12.00	13.00	12.28
●	7/2/2013	15.93	2	15.00	17.00	15.79
▲ ●	7/31/2013	14.90	1	20.00	23.00	16.15
●	10/4/2013	21.17	1	28.00	30.00	23.02
●	3/7/2014	22.57	1	26.00	28.00	21.65

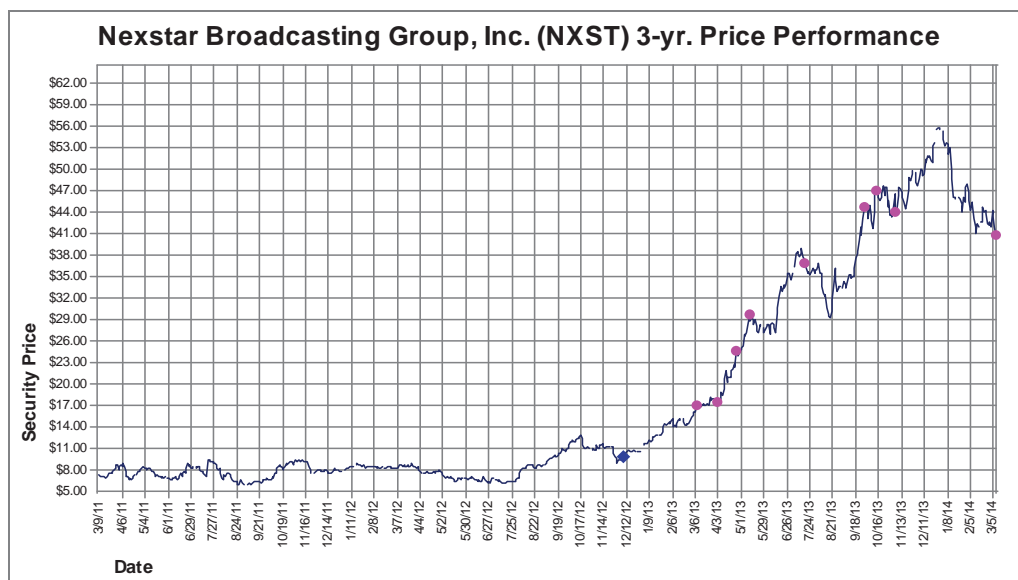
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	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	12/10/2012		Ryvicker			
◆	12/10/2012	9.47	1	17.00	19.00	9.85
●	3/8/2013	16.91	1	19.00	21.00	16.99
●	4/3/2013	17.94	1	22.00	24.00	17.54
●	4/25/2013	22.45	1	31.00	33.00	24.74
●	5/10/2013	28.51	1	39.00	41.00	29.63
●	7/18/2013	37.32	1	43.00	45.00	36.93
●	9/27/2013	43.23	1	49.00	51.00	44.79
●	10/14/2013	47.13	1	54.00	56.00	47.16
●	11/6/2013	48.72	1	56.00	58.00	44.07
●	3/7/2014	41.94	1	52.00	54.00	40.79

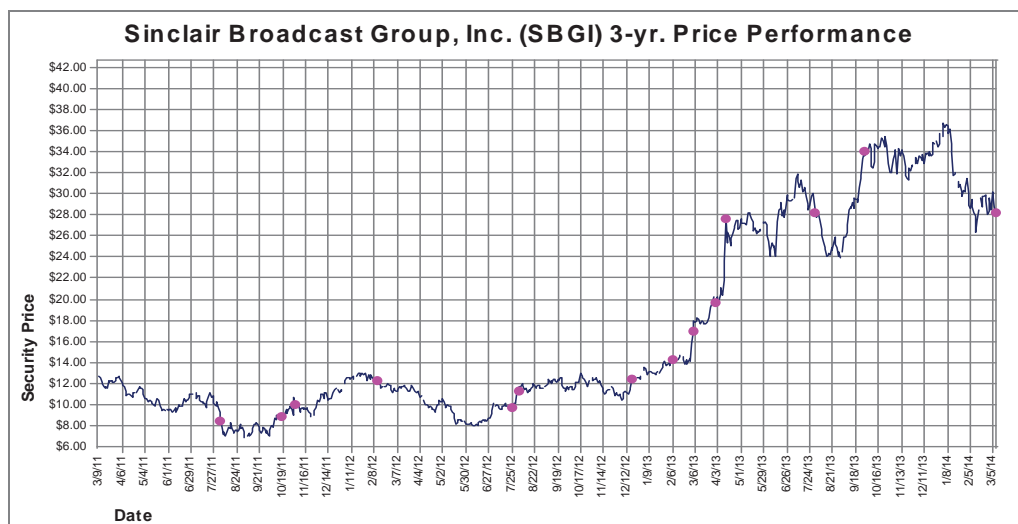
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	3/9/2011		Ryvicker			
	3/9/2011	NA	1	15.00	17.00	12.71
●	8/4/2011	9.27	1	13.00	15.00	8.36
●	10/18/2011	8.53	1	11.00	13.00	8.89
●	11/3/2011	10.65	1	14.00	16.00	10.03
●	2/10/2012	12.17	1	15.00	17.00	12.26
●	7/25/2012	9.41	1	13.00	15.00	9.72
●	8/2/2012	11.51	1	14.00	16.00	11.23
●	12/19/2012	11.61	1	16.00	18.00	12.40
●	2/7/2013	14.49	1	17.00	19.00	14.21
●	3/4/2013	15.86	1	19.00	21.00	17.00
●	4/1/2013	19.55	1	24.00	26.00	19.61
●	4/12/2013	23.69	1	32.00	34.00	27.60
●	7/31/2013	28.57	1	36.00	38.00	28.21
●	9/27/2013	33.35	1	40.00	42.00	34.04
●	3/7/2014	28.73	1	34.00	36.00	28.20

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
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Rating Code Key

1	Outperform/Buy	SR	Suspended
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Media & Cable

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LIN: Risks include a softening economy, unfavorable regulatory environment, higher than expected reverse comp and a slower-than-expected ramp in digital cash flow.

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2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. **HOLD**

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. **SELL**

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M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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EXTENDING CONSUMER REACH AND TARGETING FOR NATIONAL AND LOCAL TELEVISION ADVERTISERS

DISH AND NCC MEDIA JOIN FORCES, GREATLY EXTENDING CONSUMER REACH AND TARGETING FOR NATIONAL AND LOCAL TELEVISION ADVERTISERS

INNOVATIVE VENTURE BY LEADING CABLE COMPANIES NOW INCORPORATES DISH SUBSCRIBERS INTO 'I+' ADVERTISING INITIATIVE, LINKING CABLE, SATELLITE AND TELCO HOMES IN 25 TOP MARKETS

NEW YORK – DISH and NCC Media today announced the formation of a groundbreaking partnership that expands upon the cable industry's collaborative I+ initiative which links cable, satellite and telco companies' ad inventory. The agreement will combine ad impressions in over 3 million additional DISH subscriber homes with those of NCC owners Comcast, Cox and Time Warner Cable in 25 of the largest US markets, delivering tremendous advantages to advertisers - greater local reach and penetration against targeted consumers in the best programming on television.

The arrangement crowns a decade- long effort by NCC and its owners to consolidate the advertising reach of all US MVPD's, brings DISH to the local advertising market for the first time and creates a golden opportunity for MVPD's to grow ad revenues together. DISH's newly developed targeted ad system will be integrated with existing local market cable advertising platforms, called 'interconnects', greatly increasing an ad campaign's coverage. The platform is available to advertisers via NCC's sales force in 16 offices across the country, and to local marketers via the local interconnect sales teams of Comcast, Cox and Time Warner Cable.

"This partnership with NCC Media is an exciting new chapter, leveraging DISH's market-leading technology for delivering targeted television advertising," says **Warren Schlichting, Senior Vice President, Ad Sales at DISH**. "By gaining access to the country's third largest pay-TV provider's customers, local and national spot TV advertisers can now speak with millions of consumers who were simply not accessible before."

DISH's addressable technology enables zone-targeted ads to be stored within DVR enabled set top boxes, allowing for the insertion of ads in local breaks across multiple cable networks. The DISH component of the existing I+ platform will be operational in late 2013.

"Our mission has always been to make our medium easier to buy, while reducing complexity for our ad agency partners," added **NCC Media President & CEO Greg Schaefer** "This collaboration with DISH was done because it's what the advertising market demanded; to deliver more quality consumer GRP's in cable programming in local markets. And it does, in a big way."

As viewership continues to move from broadcast to cableprogramming, advertisers now have one-stop access via NCC Media to place ads that reach America's best local market consumer households on a wide selection of cable networks. NCC Media's portfolio of offerings to advertisers now reaches virtually every ad- insertable TV household and multichannel video programming distributor in all 210 US markets.

The operation is serviced by NCC's vaunted E-business applications, which will seamlessly integrate the new DISH subscribers into the buying and stewardship systems used by virtually every US ad agency. This integration means there will be no additional effort needed for media planners and buyers to place local ads in DISH homes via NCC or their local cable interconnect partners.

The partnership between NCC Media and DISH has its roots in a proven, successful collaboration between the two organizations in the sale of advertising in regional sports networks. This working relationship has given NCC Media hands-on experience with DISH's engineering, operations and sales departments, and this ability will be fully utilized going forward.

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ABOUT DISH

DISH Network Corporation (NASDAQ: DISH), through its subsidiary DISH Network L.L.C., provides approximately 14.014 million satellite TV customers, as of June 30, 2013, with the highest quality programming and technology with the most choices at the best value, including HD Free for Life®. Subscribers enjoy the largest high definition line-up with more than 200 national HD channels, the most international channels, and award-winning HD and DVR technology. DISH Network Corporation's subsidiary, Blockbuster L.L.C., delivers family entertainment to millions of customers around the world. DISH Network Corporation is a Fortune 200 company. Visit www.dish.com (<http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.dish.com&esheet=50689004&newsitemid=20130809005764&lan=en-US&anchor=www.dish.com&index=1&md5=35fedfaaae8a689248fce3b35f01bc59>).

ABOUT NCC MEDIA

NCC Media is the ad sales, marketing and technology organization that represents cable, satellite and telco operators in every U.S. market. NCC Media meets marketers' needs to target consumer prospects efficiently and effectively in the communities where they live. Jointly owned by three of the nation's largest MSOs – Comcast, Cox and Time Warner Cable – NCC Media is constantly evolving to maintain its status as the industry's most effective multi-platform sales organization. Consistent innovation and growth makes NCC Media your best partner in building the television and digital media plans of tomorrow...and today.

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